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before in our history, with the accompanying effect of setting towards us the stream of gold which has filled up the treasury and the banks. But to the extent that imports have been artificially stimulated, will gold be kept here with difficulty. Already some gold has gone abroad, and the treasury reserve of gold has fallen by about ten million dollars. Even though increasing imports of merchandise increase the government revenues and thus diminish the deficit, yet we have the quick and sensitive record on the treasury reserve of the slightest change in our international trade. This shows unmistakably that the treasury reserve and our currency system are at the mercy of a favorable or unfavorable balance of trade, and that even when the deficit is diminishing the reserve may fall. And yet we have been told that the reserve was solely dependent on revenue sufficient to prevent a deficit. May it not be that the eagerness to pass a new tariff bill, under the guise of a measure to wipe out the deficit, has other objects in view than a sincere desire to protect the gold reserve and the stability of our currency?

THE GOLD STANDARD IN JAPAN.

THE existing coinage of Japan is theoretically bimetallic, but actually monometallic. In 1871 the gold standard was adopted, the standard coin being the 20-yen piece containing 514.4 grains of gold, nine-tenths fine (or 462.96 grains pure gold), whereby the unit, or yen, would contain (if coined) 25.72 grains standard gold, nine-tenths fine (or 23.148 grains pure gold). The issues of depreciated paper, however, prevented gold from circulating. In May 1878 a silver yen of 416 grains standard weight (or 374.4 grains pure silver) was ordained to be a full legal tender equally with gold for all debts public and private. By law, therefore, a bimetallic system of coins was thus created at a ratio of 16.13 to 1. On the resumption of specie payments for notes, January 1, 1886, naturally silver was the cheaper and only metal used. Thereafter Japan has had in fact only a silver basis for all her currency and trade, the silver yen being today worth about 46.8 cents in United States gold coin.

The paper money consists of national bank notes (issued after the American system), government notes, and notes of the Central Bank (Nippon Ginko) which will soon supersede all national-bank issues. At the end of January 1897 the circulation¹ stood as follows:

¹*Japan Daily Mail* (Yokohama) March 3, 1897.

Circulation (incl. reserves in national and private banks):

	<i>Yen</i>
Gold coin, - - - - -	12,872,187.600
Silver coin, - - - - -	73,355,844.940
Nickel and copper coin, - - - - -	15,551,608.995
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	101,779,641.535
Reserve in Nippon Ginko:	
Gold, - - - - -	36,776.600
Gold bullion (receivable end of May from Chinese indemnity against issues of convertible notes)	72,623.856
Silver coin and bullion, - - - - -	49,040.841
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	158,441.297
Note circulation:	
Government notes, - - - - -	9,217,147.750
National bank notes, - - - - -	16,464,289.000
Nippon Ginko notes, - - - - -	190,519,446.000
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	216,200,882.750
Total specie and notes in circulation	317,980,524.285

This monetary system, based on the changing value of the silver *yen*, has been examined recently by an investigating commission, which reported last year (1896), by a vote of six to one, that no necessity existed which required an immediate change of standard, but they unanimously favored such a change whenever a suitable opportunity should present itself. And to the minds of the Matsukata Cabinet the present time, just after the Chinese War, accompanied by the payment of an indemnity, seemed opportune. The immediate but superficial difficulty was, of course, the fluctuating rate of exchange between their silver currency and the gold currency of countries with which Japan carried on 70 or 80 per cent. of her foreign trade. But another and more pressing reason appeared in the necessity of obtaining foreign loans. The national expansion due to the increase of industry in the last few years and to the triumph over China demanded more capital than the home market could supply. Yet, as with us, Japan could not obtain loans at a low rate of interest if her bonds were payable in silver. These, however, were probably only superficial reasons for the proposed change of standard. It is to be observed that the position of Japan is strikingly like that of Germany after the Franco-Prussian War—in receipt of a large war indemnity, and eager to gain a foremost place among commercial nations. And for this a standard fluctuating less

than silver was seemingly a desideratum. But, whatever the reasons, in February 1897 it was given out that the government proposed to present measures leading to the adoption of the gold standard; and early in March a new currency law¹ was submitted to the Diet, as follows:

The following is a translation of the new currency law submitted by the government to the Diet:

ARTICLE I.—The power of minting and issuing coins belongs to the government.

ART. II.—A weight of 2 *fun* (11.574 grains T.) of pure gold shall be the unit of coinage, which shall be called a *yen*.

ART. III.—The varieties of coin shall be as follows:

GOLD COINS.

Pieces of 20-*yen*, 10-*yen*, and 5-*yen*.

SILVER COINS.

Pieces of 50-*sen*, 20-*sen*, and 10-*sen*.

NICKEL COINS.

Pieces of 5-*sen*.

COPPER COINS.

Pieces of 1-*sen* and 5-*rin*.

ART. IV.—The decimal system shall be adopted for purposes of currency calculation. The hundredth part of a *yen* shall be called a *sen*, and the tenth part of a *sen* shall be called a *rin*.

ART. V.—The composition of the coins shall be as follows:

GOLD COINS.

900 parts of pure gold to 100 parts of copper.

SILVER COINS.

800 parts of pure silver to 200 parts of copper.

NICKEL COINS.

250 parts of nickel to 750 parts of copper.

COPPER COINS.

950 parts of copper; 40 parts of tin, and 10 parts of zinc.

ART. VI.—The weight of the coins shall be as follows:

	<i>Momme</i>	Grams
The 20- <i>yen</i> gold	piece=4.444	(16.6665)
The 10- <i>yen</i> gold	piece=2.222	(8.3333)
The 5- <i>yen</i> gold	piece=1.111	(4.1666)
The 50- <i>sen</i> silver	piece=3.5942	(13.4783)
The 20- <i>sen</i> silver	piece=1.4377	(5.3914)

From the translation given in the *Japan Daily Mail*, March 3, 1897.

The 10- <i>sen</i> silver piece	=0.7188	(2.6955)
The 5- <i>sen</i> nickel piece	=1.244	(4.6654)
The 1- <i>sen</i> copper piece	=1.9008	(7.1280)
The 5- <i>rin</i> copper piece	=0.9504	(3.5640)

ART. VII.—Gold coins shall be legal tender to any amount. Silver coins shall be legal tender to the amount of ten *yen*. Nickel and copper coins shall be legal tender to the amount of one *yen*.

ART. VIII.—The dimensions of the coins shall be fixed by imperial ordinance.

ART. IX.—The legal remedy of fineness shall be $\frac{1}{1000}$ in the case of gold coins, and $\frac{3}{1000}$ in the case of silver coins.

ART. X.—The legal remedy of weight shall be as follows :

20- <i>yen</i> gold coin ;	0.00864 <i>momme</i> (0.0324 gram) ; or 0.83 <i>momme</i> (3.1125 grams) ; in 1000 pieces.
10- <i>yen</i> gold coin ;	0.00605 <i>momme</i> (0.02269 gram) ; or 0.62 <i>momme</i> (2.325 grams) in 1000 pieces.
5- <i>yen</i> gold coin ;	0.00432 <i>momme</i> (0.0162 gram) or 0.41 <i>momme</i> (1.5375 grams) in 1000 pieces.

In the case of the silver coins, legal remedy of weight shall be 0.02592 *momme* (0.0972 gram) for each piece ; or 1.24 *momme* (4.65 grams) in each 1000 pieces of 50-*sen* ; 0.83 *momme* (3.1125 grams) in each 1000 pieces of 20-*sen* ; and 0.41 *momme* (1.5375 grams) in each 1000 pieces of 10-*sen*.

ART. XI.—The minimum circulating weights of the gold coins shall be as follows :

	<i>Momme</i>	Grams
20- <i>yen</i> gold coin	4.42	(16.575)
10- <i>yen</i> gold coin	2.21	(8.2875)
5- <i>yen</i> gold coin	1.105	(4.1438)

ART. XII.—If, in consequence of friction from circulation, any of the gold coins fall below the minimum circulating weight, or if any of the silver, nickel, and copper coins become visibly reduced owing to the same cause, or if any coins become inconvenient for purposes of circulation, the government shall exchange such coins for others of the same face values without making any charge.

ART. XIII.—If the design upon a coin becomes difficult to distinguish, or if it has been privately restamped, or otherwise defaced, it shall be regarded as unfit for circulation.

ART. XIV.—Should any person import gold bullion and apply to have it minted into gold coin, the government shall grant the application.

ART. XV.—The gold coins already issued shall circulate at twice the rate of the gold coins issued under the provisions of this law.

ART. XVI.—The silver 1-yen coins already issued shall be gradually exchanged for gold coins, according to the convenience of the government, at the rate of one gold yen for one silver yen.

Pending the completion of the exchange referred to in the last paragraph, silver 1-yen coins shall be legal tender to an unlimited extent, at the rate of one silver yen for one gold yen; and the suspension of their circulation shall be announced six months in advance, by imperial ordinance. Any of these coins not presented for exchange within a period of five full years, reckoned from the day on which their circulation is suspended, shall be regarded henceforth as bullion.

ART. XVII.—The 5-sen silver coins and the copper coins already issued shall continue in circulation as before.

ART. XVIII.—From the day of the promulgation of this law the coinage of 1-yen silver pieces shall cease; but this restriction shall not apply to silver bullion entrusted to the government for coinage prior to that day.

ART. XIX.—All previous laws or ordinances conflicting with the provisions of this law are hereby rescinded.

ART. XX.—With the exception of Art. XVIII, this law shall go into operation from the 1st day of the 10th month of the 30th year of *Meiji* (October 1, 1897).

The pith of the plan resides in accepting the existing standard and adapting the value of the new gold coins to it. Since resumption in 1886 all prices and contracts have been expressed in terms of silver, and the considerable decline in the gold price of silver since 1886 has given Japan a depreciating standard, silver having fallen at least 34 per cent. by 1895, as compared with gold, while general (European) prices since 1886 have fallen only 3 per cent. by 1895 as compared with gold.¹ The silver standard of Japan, therefore, as compared with commodities has depreciated about one-third. By the new scheme present conditions are accepted (the ratio being 1:32.34), the gold coins are reduced to conform in general to the present value of the silver yen, but henceforth a fall in the value of silver will produce no effect on her standard of payments. The gold yen will be the unit

¹ The average gold price of silver per ounce in 1886 was 45¾^d and only 29¾^d in 1895, a fall of 34 per cent.; while Sauerbeck's index number for 1886 was 64, and 62 in 1895, showing a fall of general prices of slightly more than 3 per cent.

and will contain 11.57426 grains, Troy, of pure gold (instead of 23.148 as formerly).

In order to establish the gold standard in fact as well as in law, there must be provided by the issuers a gold reserve sufficient to redeem the note circulation in gold; and the outstanding silver *yen* pieces must be protected in case of future depreciation. The silver 1-*yen* coins, meanwhile, are an unlimited legal tender (see Art. XVI), and as soon as a divergence exists between their bullion and their coinage value silver will tend to drive out gold. But their further coinage is stopped, and an exchange of silver *yen* for gold *yen* will maintain the silver coins at par just as certainly as the note-issues are maintained at par by redemption in gold. Doubtless the whole issue of silver *yen* pieces can be kept in circulation without requiring a large reserve. The certainty of redemption in gold is all that is needed to prevent its presentation. The government, moreover, will have five years in which to exchange the silver for gold.

The chief objection urged in Japan against the new scheme is based upon the belief that the country has been made rich by the steadily cheapening of the standard in terms of gold. (It had also been cheapened relatively to goods, as shown above.) If the gains of Japan are to be ascribed to silver, then why has not China prospered equally well on her silver standard? Indeed one is likely, in the plurality of causes operating upon a country's general progress, to err, if the awakening commercial energy and intelligence be overlooked, and if emphasis be put solely upon such a matter as the media of exchange. If Japan can successfully compete with other nations by reason of a low cost of production, that fact will not be changed by using either silver or gold as a medium of exchange.

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